

# Philadelphia

Office | Q1 2024 Market Report

## Quarterly Snapshot

↑ Average Rent  
35.00/SF

↑ Vacancy  
14.8%

↓ Net Absorption  
-89,898 SF

## Occupier's Perspective

Tenants can gain from property owners offering extensive concession packages, including rent-free periods, allowances for improvements, and furnished sublease options amidst escalating construction expenses.

With an abundance of class A sublease space available, tenants seeking such spaces have numerous options and the opportunity to secure more strategic lease terms at affordable rates.

The healthcare, life sciences, and education sectors are among the largest contributors to Philadelphia's economy, with a significant presence in University City. Additionally, lab space in this area continues to draw some of the highest rents in the Philadelphia region.

Ranked as the ninth-largest office market in the United States, Philadelphia has surpassed many other major metropolitan areas despite challenging office market conditions. With an overall 15.4 percent availability rate, below the national index of 16.7 percent, Philadelphia demonstrates its resilience. This quarter, Philadelphia rose 130 places in the ranking of top-performing large U.S. cities, now standing at number 52, attributed to robust job and wage recovery, particularly in professional, business services, and high-tech sectors.

In older Class B properties, signs of financial strain persist. Iconic properties such as the Wanamaker Building, One South Broad Street, Center Square at 1500 Market Street, and 1700 Market Street are among those experiencing distress. Despite available funding, investors and opportunistic buyers have not fully re-entered the market.

Nevertheless, innovation continues to fuel new projects in Philadelphia. Within Center City, ten significant projects have been completed through 2024, extending from Fairmount Avenue to Washington Avenue. Presently, thirty-three projects are underway, totaling 12 million square feet, with an additional twenty-three projects in various stages of planning and permitting.

## Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
KPMG	97,660 SF	Market Street West	New Lease	Office
Confidential	53,334 SF	Market Street West	New Lease	Office
Confidential	26,086 SF	University City	New Lease	Office
Confidential	15,857 SF	Market Street West	Sublease	Office
BlackRock, Inc	15,841 SF	University City	Renewal	Office
Addison Group	13,866 SF	Market Street West	New Lease	Office
Ice Miller Law Firm	10,268 SF	Market Street West	New Lease	Office
KSS Architect	9,960 SF	Market Street East	New Lease	Office

## Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
12.2%	◆	\$28.06	Market Street West - Class B
14.4%	▲	\$28.80	Independence Hall - Class B
7.7%	▲	\$29.83	Market Street East - Class B
5.9%	▲	\$30.27	University City - Class B
7.5%	▲	\$30.74	Navy Yard   Class B
13.1%	▲	\$34.03	Independence Hall - Class A
18.1%	▼	\$35.82	Market Street East - Class A
12.5%	◆	\$36.50	Market Street West - Class A
11.3%	▼	\$42.88	Navy Yard   Class A
12.8%	▲	\$45.52	University City - Class A